

Treasury Department,

Bureau of the Mint,

Washington, D. C., February 20, 1899.

Hon. D. K. Watson,

Kellogg Building, Washington, D. C.

Dear Sir:

I have your favor of February 17th, and am much gratified at the appreciation you express of the review of Messrs. Towne and Bartine's criticism.

Upon the point to which you call my attention, I beg to say:

The Act of July 14th, 1890, was a compromise measure and like all such measures contains the evidence of the effort on the part of each side to the controversy to get its ideas into it. Undoubtedly the language of the Act gives the Secretary of the Treasury the option to pay Treasury Notes in gold or silver. That much of it was gotten in by the silver men. On the other hand, the Secretary of the Treasury is required to use this option with a view to preserving the parity between the two metals. That much was gotten in by those who did not believe in the free coinage of silver and feared that the legislation then being enacted might not raise the bullion value of the silver dollar to its face value. It was hoped by all who voted for that Act, and expected by many, that its influence upon the price of silver would raise the value of that metal to the coinage value, but if it ~~fell~~ ^{failed} it was their purpose that the value of the silver coin should be maintained by the

policy of the government, and all Secretaries of the Treasury since that time have exercised the option to that end.

In reply to the query as to why the Government in all the years prior to 1879, did not give its creditors the option of the metal in which they should be paid, I would say that during all that time prior to the war, we were operating under the free coinage of both metals, and without any pledge or guaranty on the part of the government that they should be maintained at a parity. The government receives either metal, coins it and returns it to the owner, but assumes no responsibility whatever for the value of either coin.

The free coinage of both metals always results in an alternating standard. It is wholly impracticable and impossible for a Government to permit the free coinage of both metals and at the same time attempt to maintain a parity. It cannot be done and has never been attempted. It is expected and understood by all parties that under that policy the debtor will have the option of paying in the cheaper metal. But by the Act of 1873, gold only was made the standard of value in this country and we resumed specie payments in 1879 on that basis. We have never ventured since that time to admit silver to free coinage, because we have recognized that then it would be useless to attempt to maintain the parity by governmental policy and have feared that silver, instead of gold, would become the sole standard of value.

I do not think it would have been a dishonest policy to have continued, as we were before the War with the mints open to the free coinage of both gold and silver. Undoubtedly we would have gone to a silver basis and everybody would have recognized the fact and would

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have made his business calculations accordingly. We would then have resumed specie payments in silver only ~~since~~ ^{dollar} paper had reached the value of the silver dollar. Gold would not actually have come into use again as the standard of value. But we did not pursue this policy. We made gold the sole standard of value with the coinage of silver limited and committed the Government to maintain the parity under that condition. This it was that made the situation different from that before the War. The Government bought the silver, paid it out at the value of gold and gave its pledge to the public that it would maintain it at the value of gold. This is the basis of its obligation to do so. Under this condition it cannot exercise the option to pay in silver careless and regardless of the value of the silver.

The statement that there never had been a time since January 21, 1879, when the Government did not give its creditors a choice as to the kind of money in which they should be paid, was based upon inquiry as to what had been the actual policy of the Treasury. This, I am informed, is the case, that is to say, the Treasury has always since 1879, construed the word "coin" to mean gold if the creditor desired gold. There was no change in this policy about 1892-93 as suggested by Messrs. Towne and Bartine on page 83.

Very truly yours,



Director of the Mint.

It is not surprising that one should think that it would have just as well to have continued the free coinage of both gold and silver. My point is that it would not have been worth the trouble of continuing an established policy, but it is the distinction of the existing one. It is not after all a hard question, is it? I have then changed to the standard.

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Very truly yours,

[Signature] Director of the Mint.

PS: Do not understand me to think that it would have been just as nice to have continued the free coinage of both gold and silver. My point is that it would not have been inconsistent to have continued an established policy. But this xxx be disxxxx after adopting another policy, and after xx both xxxx, to have their changed to that [cheaxxxx] standard.